

Super SA Retirement Investment Fund

Financial report
for the year ended
30 June 2019



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**To the Presiding Member
South Australian Superannuation Board
Super SA Retirement Investment Fund**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 15(3) of the *Southern State Superannuation Act 2009*, I have audited the financial report of the Super SA Retirement Investment Fund for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Super SA Retirement Investment Fund as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2019
- an Income Statement for the year ended 30 June 2019
- a Statement of Member Benefits for the year ended 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the South Australian Superannuation Board, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Super SA Retirement Investment Fund. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive, State Superannuation Office and members of the South Australian Superannuation Board for the financial report

The Chief Executive, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The members of the South Australian Superannuation Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

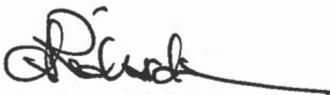
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Super SA Retirement Investment Fund's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, State Superannuation Office

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive, State Superannuation Office and the Presiding Member, South Australian Superannuation Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

18 September 2019

Super SA Retirement Investment Fund

Statement of Financial Position

as at 30 June 2019

	Note	2019 \$000	2018 \$000
Assets			
Cash and cash equivalents	12	24 739	27 049
Receivables	4	216	239
Investments	5	4 946 713	4 363 204
Total Assets		4 971 668	4 390 492
Liabilities			
Benefits payable		26 350	15 162
Payables	7	213	718
Insurance liabilities		667	325
Provision for PAYG withholding tax		94	108
Income tax payable	11(b)	6 612	4 766
Deferred tax liabilities	11(c)	21 359	16 843
Total liabilities excluding member benefits		55 295	37 922
Net assets available for member benefits		4 916 373	4 352 570
Member benefits			
Income Stream (IS) member benefit liabilities	3	3 595 496	3 179 310
Flexible Rollover Product (FRP) member benefit liabilities	3	1 298 897	1 154 283
Total member benefits		4 894 393	4 333 593
Total net assets		21 980	18 977
Equity			
Administration Fee Reserve	13	19 111	15 098
Insurance Reserve	14	2 063	2 464
Operational Risk Reserve	15	11 465	8 359
Investment allocation (under)		(10 659)	(6 944)
Total equity		21 980	18 977

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Income Statement

for the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Change in investments measured at fair value		341 692	330 981
Interest		438	360
Other income		6 016	5 474
Total revenue		348 146	336 815
Investment expenses	8	24 355	25 260
Administration expenses	9	3 493	3 643
Total expenses		27 848	28 903
Result from superannuation activities		320 298	307 912
Net result from insurance activities		(758)	508
Result from operating activities		319 540	308 420
Net benefits allocated to IS members accounts		(237 947)	(225 117)
Net benefits allocated to FRP members accounts		(74 713)	(74 738)
Operating result before income tax		6 880	8 565
Income tax expense (benefit)	11(a)	3 877	774
Net operating result		3 003	7 791

The Income Statement should be read in conjunction with the accompanying notes.

Super SA Retirement Investment Fund

Statement of Member Benefits

as at 30 June 2019

2019	Note	Flexible Rollover Product \$000	Income Stream \$000	Totals \$000
Opening Balance as at 1 July 2018		1 154 283	3 179 310	4 333 593
Member contributions		67 696	-	67 696
Government co-contributions		67	-	67
Spouse contributions		878	-	878
Rollovers from other schemes		416 900	809 895	1 226 795
Income tax on rollovers		(36 729)	(56 353)	(93 082)
Net contributions		448 812	753 542	1 202 354
Benefits to members		(379 450)	(575 303)	(954 753)
Insurance premiums charged to members		(380)	-	(380)
Insurance benefits credited to members		919	-	919
Net benefits comprising:				
Net investment income		75 858	245 135	320 993
Administration fees		(1 145)	(7 188)	(8 333)
Closing Balance as at 30 June 2019	3	1 298 897	3 595 496	4 894 393

2018	Note	Flexible Rollover Product \$000	Income Stream \$000	Totals \$000
Opening Balance as at 1 July 2017		985 084	2 754 637	3 739 721
Member contributions		55 164	-	55 164
Government co-contributions		58	-	58
Spouse contributions		1 034	-	1 034
Rollovers from other schemes		385 672	759 097	1 144 769
Income tax on rollovers		(33 161)	(49 518)	(82 679)
Net contributions		408 767	709 579	1 118 346
Benefits to members		(314 001)	(510 023)	(824 024)
Insurance premiums charged to members		(305)	-	(305)
Net benefits comprising:				
Net investment income		75 624	231 633	307 257
Administration fees		(886)	(6 516)	(7 402)
Closing Balance as at 30 June 2018	3	1 154 283	3 179 310	4 333 593

The Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

Super SA Retirement Investment Fund

Statement of Changes in Equity
for the year ended 30 June 2019

2019	Administration Fee Reserve \$000 Note 13	Insurance Reserve \$000 Note 14	Operational Risk Reserve \$000 Note 15	(Under)/over allocated benefits \$000	Total Equity \$000
Opening Balance	15 098	2 464	8 359	(6 944)	18 977
Net operating result	4 013	(401)	3 106	(3 715)	3 003
Closing Balance	19 111	2 063	11 465	(10 659)	21 980

2018	Administration Fee Reserve \$000 Note 13	Insurance Reserve \$000 Note 14	Operational Risk Reserve \$000 Note 15	(Under)/over allocated benefits	Total Equity \$000
Opening Balance	11 955	1 936	5 824	(8 491)	11 224
Net operating result	3 143	528	2 535	1 585	7 791
Net transfers to/from reserves/equity	-	-	-	(38)	(38)
Closing Balance	15 098	2 464	8 359	(6 944)	18 977

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
GST recoup		273	202
Other income		434	353
Administration expenses paid		(3 744)	(3 880)
Income tax paid		(9 769)	(8 691)
Net cash flows from operating activities	12	(12 806)	(12 016)
Payments to Funds SA for the purchase of investments		(748 753)	(706 360)
Receipts from the sale of investments from Funds SA		488 597	412 357
Net cash flows from investing activities		(260 156)	(294 003)
Member contributions		67 697	54 923
Spouse contributions		878	1 034
Government co-contributions		67	57
Net transfers from other superannuation entities		1 226 363	1 145 620
Payments from the Operational Risk Reserve		6	-
Income Stream payments		(567 517)	(511 347)
Flexible Rollover Product payments		(376 015)	(308 920)
Contributions tax paid		(80 827)	(66 669)
Net cash flows from financing activities		270 652	314 698
Net change in cash		(2 310)	8 679
Cash at beginning of the financial period		27 049	18 370
Cash at end of the financial period	12	24 739	27 049

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Super SA Retirement Investment Fund

Notes to the Financial Statements

1. Objectives and funding

(a) *Super SA Retirement Investment Fund (the Fund)*

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994* (the Act). The Fund was established under Section 47(B) of the repealed Act. The Fund is now continued under Part 3 Division 4 of the *Southern State Superannuation Regulations 2009* (the Regulations).

Part 3 Division 4 provides that the South Australian Superannuation Board (the Board) may provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Regulation 45 provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products: the Flexible Rollover Product, and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors. The Income Stream may only receive rollovers from investors.

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the SA public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Fund is an exempt public sector superannuation entity and operates on a not for profit basis.

(b) *South Australian Superannuation Board*

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and Section 45 of the Regulations, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (a South Australian Government Entity).

(d) *Funding arrangements*

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

2. Significant accounting policies

(a) *Basis of accounting*

This financial report is a general purpose financial report. The financial statements have been prepared in accordance with relevant Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

This financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000).

The Fund is a not-for-profit entity for the purpose of preparing financial statements.

Super SA Retirement Investment Fund

(b) *Impact of standards and statements not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

Super SA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Fund. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Fund are outlined below.

AASB 15 – Revenue from Contracts with Customers

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. *AASB 15 – Revenue from Contracts* replaces *AASB 111 – Construction Contracts* and *AASB 118 – Revenue*.

AASB 1058 – Income of Not for Profit Entities

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of *AASB 1004 – Contributions*.

Super SA has assessed the impact of the new rules on behalf of the Fund and determined that there will be no material impact on the financial statements as a result of *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not for Profit Entities*.

AASB 16 – Leases

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

The Fund has no operating leases, and Super SA has assessed the impact of the new standard on the Fund, and has determined there will be no material impact on the Fund's financial statements.

(c) *Financial assets and liabilities*

(a) **Classification**

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund, if any, do not meet the hedge accounting criteria as defined by AASB 9. Consequently hedge accounting is not applied by the Fund.

Financial instruments designated at fair value through profit or loss upon initial recognition

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(b) **Recognition**

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

(c) **Initial recognition**

Financial assets and financial liabilities at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the income statement, unless specified otherwise.

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(d) Subsequent measurement

After initial measurement, the Fund measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue'.

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to financial statement note 5.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(g) Receivables and payables

Receivables are carried at nominal amounts due that approximate fair value. Receivables are normally settled within 30 days. Payables are carried at nominal amounts that approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services.

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who are eligible to receive payment and provided the Fund with appropriate notification on or prior to 30 June 2019 but paid after 30 June 2019.

(i) Insurance liabilities

Insurance liabilities have been recognised and measured using the approach to measuring defined benefit member liabilities as required by AASB 1056. The Fund has adopted the equivalent AASB 1056 approved shortcut method that provides a valuation to meet the accrued insurance liabilities as at that date when they are expected to fall due.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair values

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

(k) Taxation

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and accordingly the concessional tax rate of 15 per cent has been applied.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 per cent.

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Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

(m) Foreign currency

The functional and presentation currency of the Fund is Australian dollars, which is the currency of the primary economic environment the Fund operates. The Fund's performance is evaluated and its liquidity managed in Australian dollars. Therefore, the Australian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(n) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

(i) Inflation Linked Securities B

The Inflation Linked Securities B portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property B

The Property B portfolio comprises two sub-sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

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(iii) Australian Equities B

The Australian Equities B portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities B

The International Equities B portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(o) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Fund's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2019, Funds SA managed eight distinct investment options for the Fund which were available to investors, each differing by strategic asset allocation:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible Investment

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(p) Member liabilities

Member liabilities are measured at the amount of accrued benefits. As defined contribution member liabilities, they are measured as the amount of member account balances as at the reporting date.

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(q) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been presented to be consistent with current period disclosures.

Fair value of investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

3. Member benefit liabilities

Members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated daily.

	Flexible Rollover		Income Stream		Totals	
	Product					
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Member benefits	1 298 897	1 154 283	3 595 496	3 179 310	4 894 393	4 333 593
As compared to net assets	1 308 108	1 159 742	3 608 265	3 192 828	4 916 373	4 352 570

4. Receivables

	Flexible Rollover		Income Stream		Totals	
	Product					
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Refund from ATO for GST	18	17	50	72	68	89
Interest	18	10	17	20	35	30
Contributions receivable	113	-	-	-	113	-
Rollovers receivable	-	-	-	120	-	120
	149	27	67	212	216	239

5. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Valuations are the responsibility of the Board. The valuation of investments is performed daily and are subject to quality assurance procedures.

After the checks above have been performed the Board considers the valuation results, including assumptions used in the valuations.

The Board also considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Super SA Retirement Investment Fund

Valuation technique

The Fund's investments are not quoted in an active market. To ensure fair value can be determined, the Fund's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Fund classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Financial assets at fair value through profit or loss - Level 2						
Level 1 and level 3 are not relevant to the Fund						
Unlisted managed investment schemes	1 327 208	1 175 119	3 619 505	3 188 085	4 946 713	4 363 204
Funds SA	1 327 208	1 175 119	3 619 505	3 188 085	4 946 713	4 363 204

6. Movement in the value of investments

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Investments at 1 July	1 175 119	995 694	3 188 085	2 762 139	4 363 204	3 757 833
High Growth	4 970	6 683	16 248	19 918	21 218	26 601
Growth	19 543	26 414	22 526	48 746	42 069	75 160
Balanced	83 322	111 227	253 953	250 159	337 275	361 386
Moderate	19 393	27 419	58 843	70 950	78 236	98 369
Conservative	3 646	21 474	23 556	31 148	27 202	52 622
Capital Defensive	6 970	8 148	38 375	13 682	45 345	21 830
Cash	14 040	(24 024)	14 334	(11 706)	28 374	(35 730)
Socially Responsible	205	2 084	3 585	3 049	3 790	5 133
Change in investments	152 089	179 425	431 420	425 946	583 509	605 371
Investments at 30 June	1 327 208	1 175 119	3 619 505	3 188 085	4 946 713	4 363 204

7. Payables

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Audit fees payable	13	15	36	32	49	47
Contributions refundable	-	100	-	-	-	100
Rollovers refundable	-	365	164	206	164	571
	13	480	200	238	213	718

8. Investment expenses

	Flexible Rollover Product		Income Stream		Totals	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Investment expenses	6 551	6 778	17 804	18 482	24 355	25 260
	6 551	6 778	17 804	18 482	24 355	25 260

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Fund based on the Fund's investments.

Super SA Retirement Investment Fund

9. Administration expenses

	Flexible Rollover Product		Income Stream		Totals	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Administration expenses	831	826	2 597	2 768	3 428	3 594
Other expenses ⁽ⁱ⁾	18	15	47	34	65	49
	<u>849</u>	<u>841</u>	<u>2 644</u>	<u>2 802</u>	<u>3 493</u>	<u>3 643</u>

(i) Other Expenses include Auditor's remuneration. Refer note 10.

10. Auditors' remuneration

	2019	2018
	\$000	\$000
Audit fees paid or payable	45	56
	<u>45</u>	<u>56</u>

Audit fees paid (or payable), \$44 700 GST exclusive (2018 \$55 900), relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

11. Income tax

	Flexible Rollover Product		Income Stream		Totals	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Major components of tax expense						
(a) Current income tax expense						
Current tax charge	2 165	1 875	(9 264)	(7 012)	(7 099)	(5 137)
Adjustment to current tax for prior periods	954	403	5 506	(1 029)	6 460	(626)
Relating to the originating and reversal of temporary differences	3 281	5 083	963	1 765	4 244	6 848
Adjustment to deferred tax for prior periods	(185)	(311)	457	-	272	(311)
Income tax expense	<u>6 215</u>	<u>7 050</u>	<u>(2 338)</u>	<u>(6 276)</u>	<u>3 877</u>	<u>774</u>
The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Income Statement as follows:						
Net operating result before tax	10 003	8 144	(3 123)	421	6 880	8 565
Tax applicable at the rate of 15% (2018: 15%)	1 500	1 222	(468)	63	1 032	1 285
Tax effect of expenses that are not assessable/or deductible in determining taxable income:						
Non deductible expenses	-	-	44	46	44	46
Tax effect of income /(losses) that are not assessable/or deductible in determining taxable income:						
Investment revenue	(2 742)	(2 209)	(1 355)	(4 390)	(4 097)	(6 599)
Exempt pension income	-	-	(29 451)	(26 641)	(29 451)	(26 641)
Tax effect of other adjustments:						
Imputation and foreign tax credits	(4 596)	(3 076)	(12 813)	(7 764)	(17 409)	(10 840)
(Over)/under provision prior period	770	92	5 963	(1 029)	6 733	(937)
Self-Insurance deduction	(71)	(65)	-	-	(71)	(65)
Net benefit allocated to members	11 360	11 092	35 742	33 439	47 102	44 531
Deductible financial planning fees	(6)	(6)	-	-	(6)	(6)
Income tax expense	<u>6 215</u>	<u>7 050</u>	<u>(2 338)</u>	<u>(6 276)</u>	<u>3 877</u>	<u>774</u>

Super SA Retirement Investment Fund

(b) Current tax liabilities

Balance at beginning of year	1 785	1 042	2 981	2 168	4 766	3 210
Income tax paid - current period	(37 693)	(33 251)	(41 676)	(39 524)	(79 369)	(72 775)
Income tax paid - prior periods	(2 739)	(1 445)	(8 487)	(1 139)	(11 226)	(2 584)
Current years income tax provision	38 893	35 036	45 201	42 505	84 094	77 541
(Over)/under provision prior period	954	403	7 393	(1 029)	8 347	(626)
Current tax liability	1 200	1 785	5 412	2 981	6 612	4 766

(c) Deferred tax liability

The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date is made up as follows:

Accrued expenses	(2)	(2)	-	(1)	(2)	(3)
Realised capital losses carried forward (discounted)	-	(1 232)	-	(92)	-	(1 324)
Unrealised capital losses/(gains) carried forward (discounted)	18 176	16 312	3 185	1 858	21 361	18 170
Deferred tax liability	18 174	15 078	3 185	1 765	21 359	16 843

The Fund offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets

12. Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	Flexible Rollover		Income Stream		Totals	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	12 946	10 989	11 793	16 060	24 739	27 049

Reconciliation of net operating result to net cash flows from operating activities

Net operating result	3 788	1 094	(785)	6 697	3 003	7 791
Adjustments for:						
Change in investments measured at fair value	(92 184)	(89 417)	(249 508)	(241 564)	(341 692)	(330 981)
Investment expenses	6 551	6 778	17 804	18 482	24 355	25 260
Administration fee received	(500)	(452)	(5 516)	(5 022)	(6 016)	(5 474)
Net insurance movement	881	(336)	-	-	881	(336)
(Increase) / decrease in receivables	(9)	(3)	25	(46)	16	(49)
(decrease) / increase in payables	(2 152)	(5 536)	(3 861)	(2 546)	(6 013)	(8 082)
Allocation to members accounts	74 713	74 738	237 947	225 117	312 660	299 855
Net cash outflows from operating activities	(8 912)	(13 134)	(3 894)	1 118	(12 806)	(12 016)

Super SA Retirement Investment Fund

13. Administration Fee Reserve

The surplus attributable to administration fees for both Income Stream and Flexible Rollover Product included in funds under management were initially recognised in March 2014 as Administration Reserves. The reserves are credited with administration fees deducted from member accounts and debited with the costs incurred in administering the funds.

	Flexible Rollover Product		Income Stream		Totals	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	(526)	(153)	15 624	12 108	15 098	11 955
Investment earnings ⁽ⁱ⁾	-	-	1 425	1 262	1 425	1 262
Premiums and charges	500	452	5 516	5 022	6 016	5 474
Administration fees	(831)	(825)	(2 597)	(2 768)	(3 428)	(3 593)
Operating result	(331)	(373)	4 344	3 516	4 013	3 143
Closing balance	(857)	(526)	19 968	15 624	19 111	15 098

- (i) The Administration Reserves are notionally invested in the Balanced Option. The annual earning rates were 7.01 per cent (FRP), 8.10 per cent (IS) and 7.01 per cent (TRIS).

14. Insurance Reserve

The surplus attributable to the insurance pool for the Flexible Rollover Product was initially recognised in March 2014 as an Insurance Reserve and operates on a self-insurance basis. This reserve is credited with insurance deductions from member accounts and debited with the value of benefits paid to members. Insurance is not available to Income Stream investors.

	Flexible Rollover Product		Income Stream		Totals	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	2 464	1 936	-	-	2 464	1 936
Investment earnings ⁽ⁱ⁾	138	172	-	-	138	172
Premiums and charges	380	356	-	-	380	356
Benefit payments	(919)	-	-	-	(919)	-
Operating result	(401)	528	-	-	(401)	528
Closing balance	2 063	2 464	-	-	2 063	2 464

- (i) The Insurance Reserve is notionally invested in the Balanced option. The annual earning rate was 7.01 per cent.

15. Operational Risk Reserve

The Operational Risk Reserves for Income Stream and Flexible Rollover Product were established at 31 December 2012 of 0.20 per cent of funds under management. From April 2016, members were charged a fee (0.04 per cent FRP, 0.05 per cent IS/TRIS) via a reduction to the unit prices in order to build the reserves to 0.25 per cent of funds under management. From March 2018, the fee charged to FRP members was increased from 0.04 per cent to 0.05 per cent, IS/TRIS remained unchanged at 0.05 per cent.

	Flexible Rollover Product		Income Stream		Totals	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	2 142	1 564	6 217	4 260	8 359	5 824
Investment earnings ⁽ⁱ⁾	184	144	599	464	783	608
Premiums and charges	646	434	1 671	1 493	2 317	1 927
Payments from reserve	(1)	-	7	-	6	-
Operating result	829	578	2 277	1 957	3 106	2 535
Closing balance	2 971	2 142	8 494	6 217	11 465	8 359

- (i) The Operational Risk Reserves are notionally invested in the Balanced option. The annual earning rates were 7.01 per cent (FRP), 8.10 per cent (IS) and 7.01 per cent (TRIS).

Super SA Retirement Investment Fund

16. Financial risk management objectives and policies

The Fund's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Board receives regular reports from Funds SA concerning compliance with the Fund's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Fund's currency risk is managed by Funds SA as investments include assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

(ii) Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

The Fund's interest rate risk is managed by Funds SA, as investments include fixed interest securities.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Fund's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

(iii) Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are valued at fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

Super SA Retirement Investment Fund

The Fund's other market price risk is managed by Funds SA, as investments include financial instruments exposed to market prices.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

(iv) Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment option. The following tables show the standard deviation around expected nominal returns for each investment option.

Income Stream

The statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a zero per cent tax rate applied and includes franking credits.

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2019				
Investment Option	%	%	\$000	\$000
High Growth B	8.3	11.2	78 583	8 801
Growth B	7.7	9.4	210 020	19 742
Balanced B	6.9	8.4	1 375 855	115 572
Moderate B	6.1	6.6	454 160	29 975
Conservative B	5.3	5.3	404 860	21 458
Capital Defensive B	4.4	3.7	171 151	6 333
Cash B	2.7	1.0	92 771	928
Socially Responsible B	6.3	10.0	28 836	2 884

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018				
Investment Option	%	%	\$000	\$000
High Growth B	8.9	12.1	64 566	7 812
Growth B	8.1	10.2	173 225	17 669
Balanced B	7.5	9.0	1 131 341	101 821
Moderate B	6.6	7.0	381 842	26 729
Conservative B	5.7	5.2	369 911	19 235
Capital Defensive B	4.8	3.3	146 640	4 839
Cash B	3.2	1.4	90 411	1 266
Socially Responsible B	6.8	10.5	24 198	2 541

Super SA Retirement Investment Fund

Income Stream Transition to Retirement

The statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a 15 per cent tax rate applied and includes franking credits.

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2019				
Investment Option	%	%	\$000	\$000
High Growth B	7.3	11.0	40 905	4 500
Growth B	6.6	9.3	31 343	2 915
Balanced B	6.2	8.4	354 389	29 769
Moderate B	5.3	6.6	84 441	5 573
Conservative B	4.7	5.2	44 938	2 337
Capital Defensive B	3.8	3.7	14 980	554
Cash B	2.3	1.0	11 887	119
Socially Responsible B	5.4	9.9	4 679	463

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2018				
Investment Option	%	%	\$000	\$000
High Growth B	7.7	10.9	36 818	4 013
Growth B	7.1	9.2	32 486	2 989
Balanced B	6.5	8.1	346 708	28 083
Moderate B	5.7	6.2	91 835	5 694
Conservative B	5.0	4.6	52 524	2 416
Capital Defensive B	4.1	2.9	13 461	390
Cash B	2.7	1.2	12 932	155
Socially Responsible B	5.9	9.4	6 000	564

Flexible Rollover Product

The statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a 15 per cent tax rate applied and includes franking credits.

	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
2019				
Investment Option	%	%	\$000	\$000
High Growth B	7.3	11.0	58 138	6 395
Growth B	6.6	9.3	127 930	11 897
Balanced B	6.2	8.4	620 967	52 161
Moderate B	5.3	6.6	162 882	10 750
Conservative B	4.7	5.2	128 927	6 704
Capital Defensive B	3.8	3.7	90 037	3 331
Cash B	2.3	1.0	47 199	472
Socially Responsible B	5.4	9.9	15 084	1 493

Super SA Retirement Investment Fund

2018	Average Return	Market Risk	Average FUM	Potential impact of market risk (+/-) on Income Statement
Investment Option	%	%	\$000	\$000
High Growth B	7.7	10.9	52 282	5 699
Growth B	7.1	9.2	104 898	9 651
Balanced B	6.5	8.1	523 463	42 401
Moderate B	5.7	6.2	139 427	8 644
Conservative B	5.0	4.6	116 335	5 351
Capital Defensive B	4.1	2.9	82 465	2 391
Cash B	2.7	1.2	52 191	626
Socially Responsible B	5.9	9.4	13 940	1 310

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio. The market risk shown above represents the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The fair value of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Fund does not have any assets which are past due or impaired and there is no concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

For the Fund's investments, Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

For the Fund itself, the liquidity position is monitored on a daily basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

2019	Less than 3 Months	Total Contractual Cash Flows	Carrying Amount Liabilities
	\$000	\$000	\$000
Benefits payable	26 350	26 350	26 350
Payables ⁽ⁱ⁾	164	164	164
Vested benefits ⁽ⁱⁱ⁾	4 894 393	4 894 393	4 894 393
Total	4 920 907	4 920 907	4 920 907

Super SA Retirement Investment Fund

2018	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	15 162	15 162	15 162
Payables ⁽ⁱ⁾	671	671	671
Vested benefits ⁽ⁱⁱ⁾	4 333 593	4 333 593	4 333 593
Total	4 349 426	4 349 426	4 349 426

- (i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).
- (ii) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Fund can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

17. Segment information

The Fund operates in one reportable segment, being the provision of benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Fund operates from Australia only, the Fund, through its investment managers Funds SA, has investment exposures in different countries and across different industries. Revenue derived from interest and the realised and unrealised changes is reflected in the value of investments.

18. Related parties

Key management personnel

The key management personnel of the Fund includes the Treasurer, Board members and the Chief Executive and the four members of the Executive Leadership Group, State Superannuation Office who have responsibility for the strategic direction and management of the Fund.

Compensation

All key management personnel are compensated by the Department of Treasury and Finance or the Board, therefore their compensation is disclosed in the respective financial reports.

Transactions with key management personnel and other related parties

There were no transactions requiring disclosure for key management personnel or related parties.

Transactions with other government entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

19. Events after the reporting period

There were no significant events after the reporting period.

Super SA Retirement Investment Fund

Certification of the financial report

We certify that the:

- Financial statements of the Super SA Retirement Investment Fund:
 - are in accordance with the accounts and records of the Fund; and comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Fund at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Fund over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date 13.9.19.....